

THE WHITE HOUSE

**Office of the Press Secretary
(Birmingham, England)**

**FOR IMMEDIATE RELEASE
May 15, 1998**

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U.S.-JAPAN INITIATIVE DELIVERS PROGRESS ON DEREGULATION

U.S. Trade Representative Charlene Barshefsky today described measures under the first year of the U.S.-Japan Enhanced Initiative on Deregulation and Competition Policy (Enhanced Initiative), as "an important step that must be followed by continuous efforts in deregulation and market-opening reforms." The initiative focused initially on four primary areas - telecommunications, housing, financial services, and medical devices and pharmaceuticals - selected because of their economic importance and because of the global competitiveness of U.S. companies in these sectors.

"The course we have set is not only beneficial for U.S. exporters and workers, but for Japanese consumers who pay among the highest prices in the world for goods and services," Ambassador Barshefsky noted. "Urgent and ambitious deregulatory reforms are an essential element toward achieving sustained demand-led growth in Japan."

The Enhanced Initiative, agreed to by President Clinton and Prime Minister Hashimoto in June 1997 at the Denver G-8 Summit, established a bilateral forum to address deregulation and market access issues in Japan. In addition to sector-specific objectives, the initiative addresses critical structural issues of competition policy, distribution, transparency and other government practices. A joint U.S.-Japan report issued today details the deregulatory measures the Japanese Government will undertake in each of these areas.

"We are addressing such cross-cutting issues as distribution --the ability to sell goods and services directly and competitively to Japanese consumers -- and bringing greater transparency to the regulatory process in Japan toward delivering market-opening benefits across multiple sectors. Continued progress in these areas is critical in achieving an open and competitive environment in Japan," Ambassador Barshefsky noted.

Ambassador Barshefsky continued, "Opening Japan's market has been a top priority of the Clinton Administration since 1993. I am pleased with the steps Japan has taken to deregulate and open its economy in a number of sectors under the new initiative. These actions now must be followed by

further meaningful reform in these and other sectors. We have launched reforms across dynamic and growing areas of the Japanese economy.”

Highlights of the deregulation package under the Enhanced Initiative include the following developments:

In the telecommunications sector, Japan will reduce fees charged to connect calls to Japanese customers that will allow U.S. firms to compete in this sector and provide service to local and long-distance customers. In addition, Japan has liberalized international services, spurring the entry of numerous new service providers and triggering a dramatic reduction in the cost of international phone calls to and from Japan. U.S. suppliers are expected to be major new competitors in this \$80 billion telecom services market.

Japan also agreed to more than double the number of channels that satellite broadcasters can provide. This change will save new U.S. service suppliers millions of dollars and allow them to offer the kind of innovative, consumer-oriented program packaging in Japan that has made them global leaders.

Among deregulation measures in housing, Japan has agreed to adopt modern, internationally-accepted standards for housing construction and imported building materials. Early market-opening efforts have focused on the \$38 billion Japanese wooden building materials market, of which U.S. firms supplied \$2.5 billion in 1997. These changes will significantly enhance opportunities for U.S. firms in the world's second largest housing market. Tariff elimination on wood products is a central objective of a parallel market-opening effort within APEC this year.

In the medical devices/pharmaceuticals sector, Japan will accelerate approval of new medical devices and pharmaceuticals, which will enable U.S. firms to expand their sales through faster introduction of innovative and cost-effective products. U.S. companies have a 12% share of Japan's \$60 billion pharmaceuticals market, and more than a 25% share of the medical device marketplace.

In the financial services sector, Japan has agreed to further open the market for securities derivatives, promote a market in asset-backed securities, and expand the scope of bank and securities activities available in the market. Further opening of the financial services sector will allow the introduction of new and innovative financial products that will both improve the efficiency of Japanese capital markets and provide innovative U.S. firms greater competitive opportunities.

In terms of distribution reforms, Japan will repeal the Large Scale Retail Store Law, which will significantly ease restrictions on U.S. companies opening and operating large stores in Japan and improve access for a wide variety of U.S. consumer products. Ambassador Barshefsky noted, "We will be closely monitoring the local application of the new law to ensure that there is genuine reform."

In the area of competition policy, Japan has agreed to promote competition through more vigorous monitoring and enforcement of top Japanese firms, compliance with antitrust laws. An antitrust compliance review will look at the practices of more than 2,000 companies, and the Government of Japan has agreed to conduct follow-up surveys in sectors where serious anti-competitive practices have been identified, including film and glass.

To enhance transparency, Japan has pledged to reveal bureaucratic regulatory decisions to public scrutiny. This will provide U.S. firms with greater access to information and ease the extraordinary burdens imposed by the Japanese administrative system.

"The Clinton Administration intends to build on what we have achieved over the past year in order to further open the Japanese market," Ambassador Barshefsky said. "We have a wide range of issues on our deregulatory agenda, including closely monitoring Japanese implementation of the deregulation measures agreed to in Birmingham and expanding the scope of deregulatory actions."

Ambassador Barshefsky noted that the U.S. and Japan will expand the sectoral deregulation agenda to include energy production and transmission, a heavily regulated area where U.S. firms are highly competitive. As Japan undertakes efforts to reform its \$150 billion energy sector, U.S. deregulation objectives will focus on bringing Japanese inspection, testing, and standards into conformity with international norms and practices.

"The bottom-line is that significant deregulatory reform in Japan will yield important new commercial opportunities for American exporters and stimulate growth in Japan," Barshefsky added.

Attached is a fact sheet describing the benefits of the deregulation measures contained in the joint report released today.